

Equality

Capital

Small Businesses Still Face \$28 Billion of Unforgiven PPP Loans

That lingering debt is creating a burden for the smallest businesses, including many run by minority entrepreneurs.



Photographer: Ashish Kumar/EyeEm/Getty Images

By Amy Yee and Andre Tartar

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Almost 350,000 loans made to small businesses in 2020 during the Covid-19 pandemic haven't been forgiven, according to a Bloomberg News analysis of Paycheck Protection Program data, and most of

them are for less than \$25,000.

That lingering debt – about \$28 billion, the analysis shows – is creating a burden for the smallest businesses, including many run by minority entrepreneurs, say advocacy groups, community leaders and business owners. Many are struggling with the process of seeking forgiveness under terms of the loan program that distributed more than \$800 billion over two years.

Forgiveness Gap

Smaller borrowers made up the biggest share of the nearly 350,000 fully unforgiven 2020 Paycheck Protection Program loans



Source: Bloomberg analysis of Small Business Administration data last updated on Jan. 3, 2022

Unlike traditional loans, those given as part of the pandemic relief program can be forgiven if [certain conditions](#) are met. Proceeds had to be spent on payroll and other eligible expenses within a designated time frame, for example. But some borrowers who say they meet the criteria are struggling with technical snafus, onerous documentation requirements and confusing websites.

Angela Thompson, owner and chief executive officer of a property renovation company based in Jacksonville, Florida, first applied for forgiveness for her \$172,000 PPP loan in December 2020. Over a year and more than 100 calls to loan providers later, she's gotten several notices saying she's on the hook to start repaying the debt.

Initially, she applied for forgiveness via Kabbage, the online lender that had given her the loan. But when American Express Co. bought Kabbage in August 2020, it didn't acquire its pre-existing loan portfolio. Instead, her loan lived with another provider, K Servicing. Thompson did not get a link to their PPP forgiveness website until August 2021. She immediately submitted her application. But in December, she got a bill for \$22,000 for her monthly loan re-payment; and then another in January and another in February.



Angela Thompson Source: Thompson

K Servicing customer service told her to ignore the notices, but the Small Business Administration, the federal agency that administers the program, still listed her loan as unforgiven in its most recent data update on Jan. 3. “I have great credit. How are you telling me to ignore a bill?” Thompson said in an interview. “This has me stressed out.”

K Servicing told Bloomberg News that the majority of its PPP loans have been forgiven and that it’s continuing to work with customers who have outstanding loans.

Advocates led by the Center for Responsible Lending, on Thursday asked the SBA, the U.S. Treasury and Congress to take steps to help small business owners with outstanding PPP loans, including by automatically forgiving those of \$25,000 and less.

National Urban League, National Association for Latino Community Asset Builders, UnidosUS, National Coalition for Asian Pacific American Community Development and Hope Policy Institute are among the more than 50 advocacy groups, minority-business associations and minority-focused lenders that signed the letter.

They say the smallest business owners, some of them sole proprietors, including drivers, cleaners and landscapers, have more challenges documenting payroll, expenses and income. This is especially true if businesses are cash based, lack professional accountants or face technology and language barriers.

“We must come through for the most vulnerable,” said Aracely Panameño, former director of Latino affairs at the Center for Responsible Lending.

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Advocates are also asking the SBA to rescind a rule denying forgiveness to borrowers who made good-faith errors and eliminate ‘gotcha’ denials of loan forgiveness due to sudden rule changes.

“Borrowers are desperate. Small businesses thought they were doing everything right. Now they are being told their loans are not forgiven,” said Tracy Ward, a director at Self-Help Ventures Fund, a nonprofit lender based in North Carolina.

One small-business owner said Bank of America Corp. denied forgiveness for a \$15,000 loan because she lacked a specific payroll document. She spent nine months pleading her case to the bank and local elected officials to no avail. Her first repayment bill for \$2,000 came in October.

“PPP applicants were responsible for determining their own eligibility under the complex program rules,” the letter from advocacy groups reads. “While eligibility for SBA loan programs is typically determined by the lender and SBA, for PPP this burden was shifted to the small business borrower.”

The SBA declined to comment on future policy decisions. The agency last month announced that borrowers could request an SBA review of partially forgiven PPP loans.

While the vast majority of the 5.14 million PPP loans approved in 2020 have been forgiven – and many borrowers had a smooth process – as of early January, there were 349,372 unforgiven loans and another 380,000 that were partially forgiven.

Still on the Hook

Among the 380,000 partially forgiven 2020 PPP loans, smaller loans tended to have a lower relative amount written off

Source: Bloomberg analysis of Small Business Administration data last updated on Jan. 3, 2022

The SBA has approved more than 11.4 million PPP loans since 2020; the forgiveness process is still underway for some of those issued last year.

Borrowers on the hook to pay back all or part of their loans could be pushed into more debt, have their credit damaged or possibly be forced into bankruptcy. And it's the smallest businesses with the fewest resources that are most at risk, said Dafina Williams, senior vice president at Opportunity Finance Network, a national association of community development finance institutions.

"They can't afford to take on another penny of debt. It could be devastating," she said.

Applying for forgiveness can be so complicated that some small businesses simply give up.

"There's a gap in ability to complete the process," said Ruben Alonso, CEO of AltCap, a community lender in Kansas City, Missouri. "It takes a lot of time for entrepreneurs who are working to keep businesses open."

Many of the issues plaguing business owners seeking forgiveness also made it hard for them to get loans in the earliest phase of the program. In the first tranche of PPP loans, lenders distributed an outsize number to White neighborhoods. Minority-owned businesses tend to be smaller and small businesses more often lack existing relationships to mainstream banks and accountants to help with paperwork. And most don't have formal employees.

Even for those who get approval, getting forgiveness can be difficult, said Dennis Huang, executive director of the Asian Business Association. The Los Angeles-based nonprofit got a PPP loan for about \$38,000 in February 2021.

Huang, who has an MBA, said it was difficult to find basic information about forgiveness from his lenders Northeast Bank and ACAP Fund, now called Newity. Application forms were buried deep within websites, deadlines were unclear and customer service was shoddy. “ACAP had a phone tree that goes in circles. I could not get a live person to help us,” said Huang. Finally in November 2021, the SBA listed the loan as forgiven.

The process was “horrible,” said Huang. “I don’t know how small businesses do it.”



BUSINESS

PPP loans were made to be forgiven. In heavily Black areas like South Florida, many aren't

BY BEN WIEDER

UPDATED MARCH 27, 2022 6:03 PM



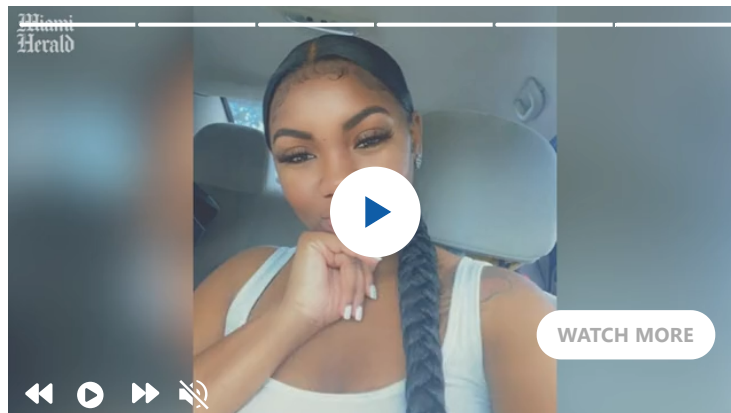
Performance of Kenya Safari Acrobats. The touring group's owner, Karen Makange, struggled to get her Paycheck Protection Program loan forgiven.
KAREN MAKANGE

For Louine Raymonvil, the \$105,000 Paycheck Protection Program loan his North Miami Beach security business received in June 2020 was a godsend.

"The help was there for me to help with employees, so thank God I got it," he said.

But getting the loan forgiven has been another story.

TOP VIDEOS



Alleged hitman counting money paid to him for the murder of Miami TSA officer

The lending program, commonly referred to as PPP, was created by Congress as part of the March 2020 CARES Act and designed to provide relief to small businesses struggling with COVID-19-related closures and disruptions. Under the terms of the program, which was administered by the Small Business Administration, the loans didn't have to be paid back so long as they were used for payroll and other approved expenses.

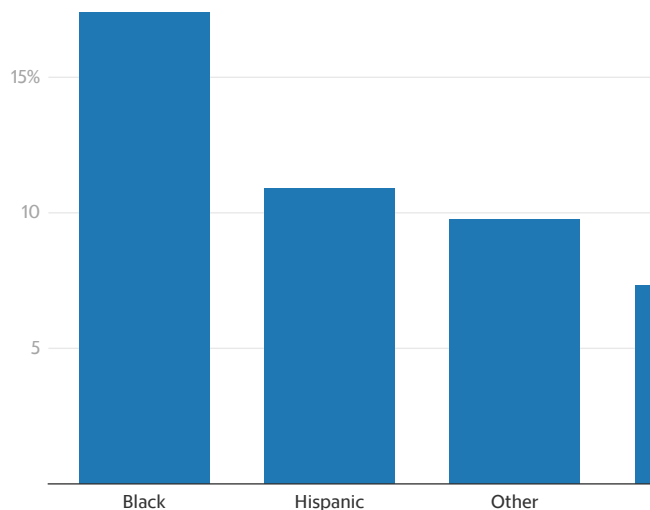
The vast majority of small businesses that took out PPP loans have had their balances forgiven, but a small but significant number of small businesses are still struggling to win approval for their requests for forgiveness, nearly two years after the [program was first created](#).

And a Miami Herald analysis of the most recent SBA data finds that forgiveness rates have been significantly lower for small businesses, like Raymonvil's, that are based in majority Black and majority Hispanic ZIP codes.

The percentage of loans that remain unforgiven in majority Black ZIP codes is more than three times higher than the percentage of unforgiven loans in majority white ZIP codes, while the percentage of unforgiven loans in majority Hispanic ZIP codes is more than double that of majority white ZIP codes.

Unforgiven PPP loans

While 93% of Paycheck Protection Program loans approved in 2020 have been forgiven so far, the percentage of unforgiven loans is much higher in majority-Black and majority-Hispanic zip codes.



The analysis of the data, which is current as of early January, included loans approved in 2020, all of which are past the grace period during which PPP loans are not required to be repaid.

The Herald analyzed forgiveness rates by ZIP codes rather than by the race or ethnicity of individual business owners because roughly 70% of loans in the data contained no information about the race or ethnicity of the business owner.

The analysis further showed that forgiveness rates in South Florida trailed the national average. Miami-Dade and Broward counties, which have significant Black and Hispanic populations, had two of the lowest forgiveness rates of any counties in the country, with 82% of 2020 PPP loans forgiven in Miami-Dade County as of early January and 83% of 2020 PPP loans forgiven in Broward County at the time.

Raymonvil, originally from Haiti, went through PayPal for his 2020 loan, which partnered with WebBank. Raymonvil's request for forgiveness was initially denied and when he called the SBA he was told the issue had something to do with his state registration as a security guard, which is up-to-date.

Raymonvil maintains that the bank is at fault.

"I filled out the report," he said of his first application for forgiveness. "You have to do your part."

He points out that a second PPP loan his business received in 2021 from the online lender ReadyCap Lending has already been forgiven as evidence that the issue is not on his end.

Meanwhile the bank keeps sending Raymonvil emails calling on him to repay the loan, but he says the money is long gone.

"I cannot give you something I don't have," he said.

WebBank and PayPal didn't provide comment in response to questions from the Herald. The SBA said it could not comment on the Herald's findings.

‘WHAT DID WE DO?’

For many minority-owned businesses, the first problem was getting a PPP loan.

The SBA tasked banks and other lenders with vetting prospective borrowers, sending them the cash and then processing forgiveness applications.

Researchers at the [National Community Reinvestment Coalition](#), which advocates for better financial and housing access for minorities and underserved groups, sent white and Black borrowers with similar financial profiles to banks to inquire about short-term loans for their small businesses, including PPP loans, in April and May of 2020. [White prospective borrowers](#) were more often encouraged to apply for a loan and consider the bank’s other financial offerings. Women were offered less information about the PPP program than men.

“It was blatant discrimination,” said Anneliese Lederer, director of fair lending and consumer protection at the NCRC.

The money for loans in the PPP program came from the federal government, though banks were required to provide the cash up-front and were reimbursed after a loan was forgiven, repaid or considered to be in default. For their efforts, the banks [were given fees on a sliding scale](#) based on the size of the loan approved.

The Treasury Department initially advised banks to target their existing customers and the House Select Subcommittee on the Coronavirus Crisis [found that](#) this had the effect of making PPP loans less accessible to minority and women-owned businesses and smaller businesses, who already struggled to get access to credit before the pandemic.

It also pushed some minority-owned businesses to turn to lesser-known online lenders.

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BANKING

Unforgiven: Two years later, small businesses still waiting for promised PPP loan forgiveness

MARCH 02, 2022 9:31 AM

“I have a business relationship with Chase, but Chase declined me,” said Gigi Mchale, a nurse anesthetist in North Miami Beach who ultimately got a PPP loan as an independent contractor through the online lender Bluevine.

Other Black business owners she knows had similar experiences.

“They were all kind of like ‘What did we do?’ ” she said.

Like Mchale and Raymonvil, the majority of borrowers still seeking forgiveness in majority-Black and majority-Hispanic areas got their PPP loans through online lenders.

Karen Makange was approved for a PPP loan just under \$12,000 from the online lender Kabbage before she’d even finished submitting the paperwork to Truist, where she holds a business account.

But getting the loan forgiven has been hard.

As the Herald [previously reported](#), Kabbage, now operating under the name KServicing, has the lowest forgiveness rate of any major PPP lender.

Makange, based outside Greensboro, North Carolina, operates [a performance company](#) that brings in African acrobats to perform across the country.

In the past, she said her company was on the road 300 days a year, but has performed just three times since the beginning of the pandemic.

She first applied for forgiveness in December 2020, but had to resubmit her application in 2021 after the company introduced a new application platform. Then the company asked her to submit the same paperwork over and over.

“My whole life was spent dealing with this,” she said. “I couldn’t do anything with my business.”



Karen Makange (hat) performs with Kenya Safari Acrobats. She struggled to get her Paycheck Protection Program loan for the group forgiven. *KAREN MAKANGE*

She turned to the nonprofit [Better Business Bureau](#) and the SBA, but got nowhere.

In the meantime, she was already approved for forgiveness for a second PPP loan she obtained in March 2021.

She finally got good news early this month that her loan was forgiven, more than a year after she first sought forgiveness.

“That was such a relief,” she said. “I’m like, ‘I can breathe.’ ”

In response to questions about its low forgiveness rate, KServicing CEO Laquisha Milner said in a statement to the Herald that “a majority of our PPP loans have already received SBA forgiveness” and that “we will continue to work with our borrowers to help ensure they take the steps required to obtain forgiveness by the SBA.”

BEARING THE BRUNT

The SBA and some lenders changed how they approached the second year of the PPP program in 2021 to help minority and women-owned businesses and smaller businesses who struggled the first year.

The SBA [limited applications in the first few weeks](#) of 2021 to businesses with fewer than 20 employees and expanded eligibility for sole proprietors.

Customers Bank, one of the [biggest lenders in the program by volume](#), partnered in 2021 with 26 organizations across the country, including local Black and Hispanic

Chambers of Commerce, to offer so-called “white label” loans that were branded with the name of the partner organization. The bank also shared a portion of the fees it earned on the loans with these groups.

Miguel Alban, the director of multicultural banking at Customers Bank, oversaw the program, which approved more than \$26 million in PPP loans, as an opportunity to both do the right thing and expand the bank’s customer base.

“These communities are very loyal. You give them a hand right now, they will remember us,” he said.

But those efforts, unfortunately, came too late for many Black-owned businesses. An [August 2020 report](#) by the Federal Reserve Bank of New York found that the number of Black-owned businesses dropped by 41% during the first several months of the pandemic, more than double the 17% of white-owned businesses that shuttered. Hispanic-owned businesses saw the second biggest decline at 32%.

Jason Richardson, director of research at the financial access advocacy group NCRC, said that women and minority-owned businesses always struggle the most during disasters like the COVID-19 pandemic.

“Any time you have an event like this, it is the smallest and weakest businesses that are going to bear the brunt of the damages,” he said.

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BANKING

Unforgiven: Two years later, small businesses still waiting for promised PPP loan forgiveness

BY BEN WIEDER

UPDATED MARCH 08, 2022 10:20 AM



Hairdresser Vicki LeMaster, who has not been able to get her PPP loans forgiven through the online lender Kabbage, is among many small business owners who await PPP forgiveness due to the COVID-19 pandemic two years later. BY **DANIEL A. VARELA** ✓

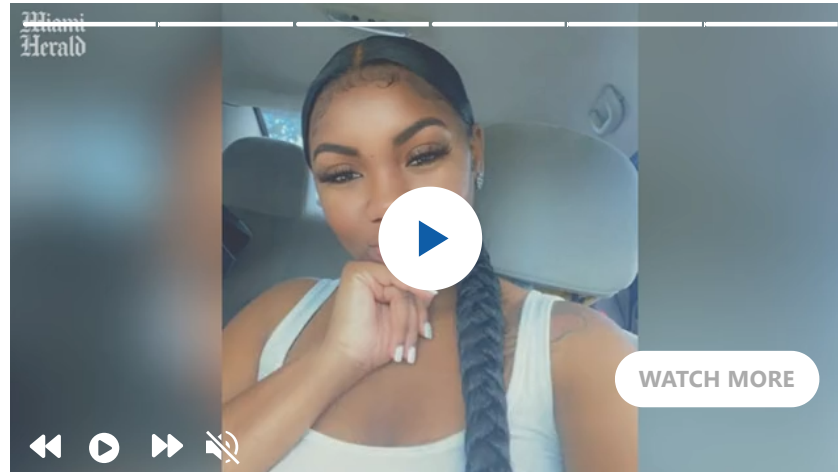
After COVID-19 shutdowns put Miami hairdresser Vicki LeMaster out of work, a friend recommended that she apply for a Paycheck Protection Program loan through

the online lender Kabbage.

“I didn’t want a lot of money, just enough to get me through,” she said.

The process seemed simple enough and LeMaster was soon approved for a modest amount in May 2020, which under the terms of the program wouldn’t have to be paid back if used for approved purposes, like payroll.

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Alleged hitman counting money paid to him for the murder of Miami TSA officer

But getting forgiveness has been far less simple.

The program, approved by Congress as part of the [CARES Act relief package](#), was designed to help small businesses and independent contractors stay afloat as they dealt with pandemic-related closures and disruptions, providing forgivable loans up to \$10 million.

The U.S. Small Business Administration, which administered the program commonly known as PPP, provided the money but tasked banks and other lenders with vetting and approving applications and handling the forgiveness process.

Critiques of the program have largely focused on [high levels of fraud](#) — with President Joe Biden announcing at his State of the Union Address Tuesday night that he would appoint a chief prosecutor for pandemic fraud at the U.S. Department of Justice — and the [challenges minority-owned businesses faced](#) accessing the funds.

But for some borrowers, the process of seeking to have their loans forgiven has also been flawed. The problem has been most pronounced for those whose loans were approved by Kabbage, which has the worst rate of forgiveness of any major lender in the program, according to a Miami Herald analysis of loans approved in the first year of the program.

While it took just hours for LeMaster, who is an independent contractor, to get approved by Kabbage for her loan, the lender is now asking for the money back and her application for forgiveness has still not been approved seven months later. She said she's spent hundreds of hours on the phone and replied to numerous emails asking her to resubmit documents and paperwork that she had already provided. Calls to the SBA for help got her nowhere.

"It's been ridiculous," she said. "This thing has been drawing on for months on end."

All of that despite the fact that her PPP loan was minuscule: just over \$3,000.



Hairdresser Vicki LeMaster, who has not been able to get her PPP loans forgiven through the online lender Kabbage, is among many small business owners who await PPP forgiveness two years later. She's shown at a salon in Miami, Florida, on Tuesday, March 1, 2022. Daniel A. Varela DVARELA@MIAMIHERALD.COM

"These guys act like I asked for a loan to buy the Taj Mahal," she said.

According to the Herald analysis, while 93% of PPP loans approved in 2020 have been forgiven so far, only 54% of PPP loans approved by Kabbage in 2020 had been forgiven as of early January 2022, according to SBA data.

The Herald analyzed forgiveness for PPP loans approved in 2020 because all of those loans are [past the grace period](#) where repayment is not required, though borrowers are not required to repay their loans while their forgiveness applications are being evaluated.

Kabbage, a so-called financial technology or fintech company, partnered with two banks, Cross River Bank and Customers Bank, to process some of the PPP loans.

Cross River and Customers had the second- and third-lowest forgiveness rates among major lenders: 74% for the former and 77% for the latter.

All three were prolific PPP lenders, accounting for more than 8% of all loans approved in 2020. They have accounted for a disproportionate share of the 2020 PPP loans that remain unforgiven: Combined, Kabbage, Cross River and Customers account for 40% of all 2020 loans that were still unforgiven as of early January.

Bigger banks prioritized existing business customers when the PPP program was unveiled, leaving smaller businesses and independent contractors like LeMaster to lenders like Kabbage.

“Because we don’t have a banker on our side, we’re the ones who have to deal with all the garbage,” she said.

‘THERE’S NO ONE RUNNING THE SHIP’

For borrowers like LeMaster, the PPP loans were undoubtedly a boon during a difficult time. But the program also might have saved Kabbage, which was struggling at the start of the pandemic, with layoffs looming.

Banks were paid a fee for each application they pushed through on a sliding scale based on the size of the loan. Loans approved by Kabbage in 2020 appear to have generated more than \$145 million in fees, according to the Herald’s analysis of PPP data. Loans approved by partner banks Cross River and Customers generated an additional \$405 million.

Kabbage and other fintech companies typically processed the applications using their online systems and then put the loans on the books of their partner banks, splitting the fees.

Thanks in part to its PPP revenue, Kabbage became an attractive takeover target. American Express announced in August 2020 that it would acquire the lender for a rumored \$850 million.

There were early signs that Kabbage’s PPP success wasn’t an entirely feel-good story.

The Miami Herald flagged Kabbage for having approved a disproportionate share of seemingly fraudulent PPP loans in a September 2020 investigation. In May 2021, the House Oversight Committee’s Select Subcommittee on the Coronavirus Crisis launched an investigation into Kabbage, Cross River and two other lenders, noting “reports that FinTech companies and bank partners have been linked to a disproportionate number of fraudulent PPP loans.”

When American Express finalized its acquisition of “substantially all” of Kabbage in October 2020 it took on the company’s technology, financial products and many of its employees, but not Kabbage’s existing small business loan portfolio, which included PPP. Those were left behind and the company that remained to handle them was rebranded KServicing.

Borrowers say that’s when the problems started.

Customers from around the country described submitting paperwork multiple times, only to be told later that they needed to submit different documents. They told the Herald they were asked to begin repaying the loans as they awaited decisions on forgiveness with the dubious promise that they would later be reimbursed. And they said they were told to sign paperwork that included false information, such as incorrect loan amounts or Social Security numbers.

For the time and energy she spent seeking forgiveness, San Diego psychologist Kathy Vandenburg said she could have earned the \$20,833 she was awarded by Kabbage — “no problem.”

Vandenburg’s loan was finally forgiven early last month, nearly a year and a half after she first applied.

Crystal Rischer, a Sarasota model and actor, said she felt like the endless hours she spent on the phone made no difference.

“There’s no one running the ship,” she said.

She said she and her husband, Michael, a photographer, have been seeking forgiveness for more than a year for two Kabbage PPP loans.

And then there were the barnyard animals.

Multiple borrowers, including Rischer, described hearing chickens and other barnyard animals in the background in some of their calls with customer service representatives, which they said struck them as unprofessional.

Joseph, who owns a Los Angeles call center that helps student borrowers and asked that he be identified only by his first name, provided the Herald with a recording of a phone call he made with KServicing customer service representatives in which a rooster can clearly be heard crowing repeatedly in the background. A manager chuckles when he asks about the sound and says the sound is coming from the neighbors.

It was one of many calls Joseph made to KServicing over the course of more than a year as he tried to get his company’s \$14,000 PPP loan forgiven and get KServicing to return \$3,500 he had repaid while his forgiveness application was still being reviewed. The loan was finally forgiven in late January 2022 and the company returned the money he’d paid a month later.

The Herald sent KServicing a detailed list of questions. In response, KServicing CEO Laquisha Milner sent the Herald a statement noting that “a majority of our PPP loans have already received SBA forgiveness” and that “we will continue to work with our borrowers to help ensure they take the steps required to obtain forgiveness by the SBA.”

American Express spokesperson Paul Bernardini emphasized that KServicing is a separate company, adding American Express hopes “KServicing can resolve these matters quickly for the benefit of their customers.”

Cross River Bank did not respond to a request for comment.

[UPDATE: Customers Bank did not respond to a request for comment before online publication but contacted the Herald after publication to indicate that its most up-to-date figures showed that the bank’s overall forgiveness rate was 88%.



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CNBC DISRUPTOR 50

AmEx's purchase of online lender Kabbage left desperate PPP borrowers in the cold

PUBLISHED WED, APR 7 2021•1:55 PM EDT UPDATED WED, APR 7 2021•4:29 PM EDT



Ari Levy
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KEY POINTS

When American Express bought “substantially all” of Kabbage last year, it left behind the business responsible for PPP loans.

Kabbage borrowers returned this year for a second draw of funds only to find a company in chaos.

“This is the worst company and we may lose our loan that we desperately need for our business,” said Dawn Lindsay, who has yet to get her second round of funding.

In this article

AXP **-0.96 (-0.50%)**





When the pandemic shut down Dawn Lindsay's family carpet cleaning business last year, the U.S. government's paycheck protection program provided a brief but essential lifeline. To get her \$7,500 PPP loan, Lindsay turned to online lender Kabbage, a service recommended by her accountant.

Lindsay, who runs the company with her husband, Todd, said the process was smooth and easy. But the second round of PPP funding, which the Small Business Administration opened up in January amid the ongoing economic crisis, has been a nightmare. That's because the Lindsays are now dealing with a very different Kabbage from the one they remember.

[American Express](#) acquired [Kabbage in August](#). Not included in the deal was Kabbage's loan book, which had become one of the biggest in the country for distributing PPP funds. The orphaned division, now known as [K Servicing](#), has left borrowers frustrated, confused and searching for answers as their businesses hang on by a thread.

"This is the worst company and we may lose our loan that we desperately need for our business," said Dawn Lindsay from her home in Lula, Georgia, about 70 miles northeast of Atlanta. The couple started [Esteamed Solutions](#) in 2018 with retirement money from Dawn's years of waiting tables at a sushi restaurant and Todd's career at Cargill. "We're down to our last bit of savings," she said.

The Lindsays' struggles are familiar to thousands of Kabbage customers, who were relieved last year when the fintech company came to their aid with an easy-to-use online application that could walk them through a complicated process. Many banks and credit unions were struggling

As part of its Disruptor 50 series last year, CNBC [included Kabbage](#) (ranked 24th on the [2020 list](#)) and highlighted the company's rapid move to partner with small banks and jump into PPP loans, helping get emergency assistance to restaurants, boutique hotels, beauty shops and corner retailers. At the time of publication in June, Kabbage had delivered funding to over 130,000 businesses, with an average loan size of about \$29,000. Rob Frohwein, Kabbage's co-founder and then CEO, called it "fintech's shining moment."



Rob Frohwein, CEO of Kabbage

Adam Jeffery | CNBC

By the end of the PPP's early extension in August, the number of applications the company had approved swelled to almost 300,000, totaling \$7 billion in small business funding, [according to Kabbage](#), making it the second-largest U.S. PPP lender by volume, behind only [Bank of America](#).

Later that month, American Express swooped in, [buying "substantially all" of Kabbage](#), including the Atlanta-based company's team as well as its small business lending technology and data platform.

But when PPP borrowers returned for their second loans in early 2021, it became apparent that American Express had left a mess behind.

In an email to CNBC, American Express reiterated its past statements about the transaction and suggested borrowers reach out to K Servicing.

“That portfolio and associated servicing obligations were retained by Kabbage, Inc., which now operates as K Servicing,” American Express said. “Customers of these loans need to contact K Servicing for support. We know this is a challenging time for small businesses and lenders that are managing PPP requests. We hope K Servicing can quickly resolve any servicing issues impacting its customers.”

Customers have been contacting K Servicing in droves. It’s not helping. The Better Business Bureau has been [flooded](#) with one-star reviews from borrowers complaining of K Servicing’s “negligence” and “incompetence” and offering strong recommendations that others, “DO NOT USE THEIR SERVICES!” A [Facebook](#) page called K Servicing PPP Loan Support Group has over 2,000 members.

While American Express has distanced itself from K Servicing, existing Kabbage customers are understandably confused about who’s accountable.

The [new website](#) reads “K Servicing for Kabbage” at the top. Further down it says, “In connection with American Express’s acquisition of Kabbage, we’ve established K Servicing to maintain consistency in the way you manage your existing loans.” And the bottom of the page includes a disclaimer that says “Kabbage Funding is a trademark of American Express,” referring to the lending operation that the credit card company actually did acquire.

K Servicing doesn’t include the names of any executives or employees on its website. There are three phone numbers for borrowers to use, depending on whether they’re a Kabbage customer, PPP borrower or repaying a loan.

The only email address available is support@kservicing.com. CNBC sent multiple messages to that address and didn’t get a response. A customer support representative who answered a call to the number for PPP loans was able to answer some questions on the condition that we not use her name.

The rep said she was working out of a call center in the Philippines. She said she joined K Servicing recently and never worked for Kabbage. She indicated that many loans are being delayed because customers don’t provide proper documentation. If they change banks, the loan could get flagged for review. She was unsurprised by the extent of the complaints and said that

When asked if she could provide any details on who runs the company and how many people are employed there, the rep checked with a supervisor and returned a few minutes later. She said she couldn't give a headcount number, but said the CEO is Laquisha Milner, who's based in Atlanta. Milner is also listed as CEO of K Servicing at the [Better Business Bureau](#). According to her [LinkedIn profile](#), Milner has worked at Kabbage for almost nine years, with the title of head of program management since July 2019.

Just after initial publication, Milner emailed the following statement:

K Servicing is and has been committed to providing excellent service to our borrowers. PPP is a critical lifeline to countless small businesses, rolled out quickly through a public/private partnership. K Servicing has met significant demand even under ever-changing program requirements. To that end, K Servicing continues to rapidly serve all eligible businesses while addressing qualification challenges for some by putting proper measures in place to proactively identify and respond to requests through the continuous improvement of the borrowers' experience. The results are already being realized and will continue.

'Jumped through every hoop'

The SBA opened the second draw process for PPPs in January, with authorization from Congress to issue up to \$284 billion in loans of up to \$2 million each. To be eligible, companies must have no more than 300 employees and have experienced at least a 25% reduction in gross receipts in a quarter between 2019 and 2020.

The original deadline for the program was March 31, but lawmakers [extended](#) it by two months. Through March 28, the [SBA had awarded](#) almost 3.6 million loans this year worth a total of nearly \$212 billion.

When Lindsay applied for her second loan in January, she at first saw no reason for concern. Her application for another \$7,500 was quickly approved, but Lindsay noticed on the online dashboard that her old bank account was linked to the loan. She called K Servicing and had them update her profile with her new bank.

After she sent a voided check to K Servicing, the lender sent two microdeposits to her new account on Feb. 1, confirming the account. Lindsay shared a bank statement with CNBC,

Still, when Lindsay signed the loan documents, the money was sent to her old bank account. Since then, she's called and emailed K Servicing dozens of times to clean up the situation. Despite sending utility bills, tax returns and bank statements, as requested by various call center representatives, the money hasn't been moved to her current account.

Dawn and Todd Lindsay

Dawn Lindsay

According to the SBA, the forgivable loan was issued on Feb. 18, and the Lindsays are required to repay it if they can't show that the money has been used for qualified expenses like payroll and supplies. Because the loan has been approved and has what's known as an E-Tran number from the SBA, Lindsay can't cancel it and reapply elsewhere.

"We have jumped through every hoop they have given us on a loan in our name," she said.

A common complaint from Lindsay and other borrowers is that the representatives they reach in the various call centers are unhelpful. They take down information, promise they'll elevate the matter, and the customer hears nothing until calling again and going through the same process with another rep. Weeks later, there's no progress.

Time is running out



Jessica Edwards, an accountant, received her first PPP loan of \$9,474 through Kabbage in May of last year, after losing some of her top clients during the pandemic. Later in the year, Edwards moved with her family from Montana to Utah after her husband's employer transferred him.

Edwards' second loan of the same amount was approved in January and disbursed on Feb. 4. However, like with Lindsay, the money was sent to an old account. Over two months later, she's still waiting and has been calling multiple times a week for updates. Twice in late March, Edwards spoke with representatives, who requested additional information, like her 2019 taxes and a utility bill.

PPP rules give borrowers 24 weeks to put the money to work on qualified expenses. That period is more than one-third expired and Edwards doesn't have the loan. She said she first used Kabbage because people in her network of accountants raved about it, and now they're all perplexed.

"This wasn't what we were seeing before the acquisition," Edwards said. "My experience before was great."

K Servicing is far from the only PPP lender that's struggling to meet borrower needs. In addition to the size of the program and the sheer number of borrowers, the SBA is constantly making changes that require participating financial institutions to tweak their software and systems, said Eyal Lifshitz, CEO of online small business lender BlueVine.

For example, in March the SBA said that self-employed individuals could [switch to using gross income](#) instead of net profit when applying for a loan, making them eligible for more money. Lifshitz said it took several days for BlueVine to build in that functionality, forcing the company to pull engineering resources from other projects. Staying up to date with all of the SBA's rules is costly and requires ongoing investment, he said.

"You can't do this without putting muscle into it," said Lifshitz. "Some are doing it. Some are tired."

K Servicing tried to relieve some pressure by partnering with fintech company [SmartBiz](#) in late March to help borrowers with their second draws. K Servicing's website now actively sends people to SmartBiz, which processes the applications and gets the loan from a small lender called Customers Bank.

"At this time, KServicing is not accepting new second draw loan applications for borrowers that took their first PPP loan through Kabbage," K Servicing says. "Please use the link below to apply for your second draw loan through our partner, SmartBiz."

SmartBiz said in an emailed statement that K Servicing asked for its support last month, when the new formula for calculating loan amounts was introduced.

"SmartBiz Loans was asked to process loan applications for KServicing's PPP customers because the new formula was being implemented in their PPP loan application while it wasn't in KServicing's and this would potentially be a better outcome for their customers," the company said.

The first time Joanne Cleaver heard of SmartBiz was March 23, when she received an email from K Servicing telling her that the company "recently partnered with SmartBiz to process PPP second draw applications" and directing her to a link where she could apply.

By that time, Cleaver had already given up on K Servicing and moved onto a local credit union that processed her loan right away.

Cleaver, who runs [Wilson-Taylor Associates](#), a consulting firm in North Carolina, said she had no problem with her first \$16,773 loan last year. She applied for her second round in February and was notified in early March that the application was complete. But on March 6, she was told that

On March 16, K Servicing informed Cleaver that her loan was rejected. She said the company didn't provide an explanation and told her there was no way to appeal.

A week later, after Cleaver had turned elsewhere for her money, the email landed from K Servicing telling her to reapply through SmartBiz.

"They are constantly changing what they say about how to pursue the PPP process," Cleaver said. "And yet cannot execute their way out of a wet paper bag."

Update: This story was updated to include comments from K Servicing and SmartBiz received by CNBC after initial publication.

WATCH: [Biden administration changes who qualifies for Paycheck Protection Program loans](#)

VIDEO 02:58

Biden administration changes who qualifies for Paycheck Protection Program loans

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